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ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Report of Audit, Proprietary Activity, PDDYNAMIC

FROM: Audit Staff
1201 Key

EXTENSION NO.

2232

DATE 12 Feb 1979

TO: (Officer designation, room number, and building)

DATE

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

RECEIVED

FORWARDED

1. OIG
6E19 Hdqs

13 FEB 1979

13 FEB 1979

2.

3. C/CA Staff
3D00

21 FEB 1979

4. c/s B

5th

5.

5 MAR 1979

6 MAR 1979

6.

6 MAR 1979

7.

8. File in PDDYNAMIC Plans + Development File (A).

9.

10.

11.

12.

13.

14.

15.

The main action required.

56607 - Let's keep after them on the accts.

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CENTRAL INTELLIGENCE AGENCY
SOURCE METHOD EXEMPTION 3828
NAZI WAR CRIMES DISCLOSURE ACT
DATE 2007

SECRET

12 FEB 1979

MEMORANDUM FOR: Chief, Covert Action Staff
THROUGH : Inspector General *N*
FROM : Chief, Audit Staff
SUBJECT : Report of Audit, Proprietary Activity
PDDYNAMIC,
1 July 1977 - 30 September 1978

1. Attached is a copy of the subject report for your information. Please comply with the recommendation in paragraph #5.

2. We appreciate the cooperation and assistance extended the auditors.

Attachment

Distribution:

✓ Orig. - C/CA Staff
1 - SSA/DDA
1 - DDO/EPDS
1 - D/Fin
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ORIGINAL COPY

DATE	2/12/99
NO.	303
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AND THIS IS TO BE KEPT	

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REPORT OF AUDIT
Proprietary OPACT PDDYNAMIC

For the Period
1 July 1977 - 30 September 1978

SUMMARY

1. Controls and procedures governing the custody and use of Agency resources were found to be effective and in compliance with applicable regulations. Action is needed to bring cover company employee advances into a current status.

BACKGROUND AND SCOPE

2. PDDYNAMIC provides for the exploitation of nationalistic and cultural tendencies existent in the Ukrainian Soviet Socialist Republic. The activity publishes a monthly political literary magazine as well as books, pamphlets, and leaflets which are infiltrated into the USSR for clandestine distribution. About 20,000 publications were infiltrated into the USSR during FY 1978 by a variety of clandestine means where they are often duplicated and further distributed. The publications are designed to provide intellectual and moral support to those Ukrainians who seek moderation of the Soviet political system. These actions are carried out through two cover entities: PDTENURE, a New York corporation, and PDERRACE, a West German branch office. This activity is in compliance with the provisions of Section 662 of the Foreign Assistance Act of 1961, as amended, in that it is covered by Presidential Findings dated January 1975 and June 1978 and has been reported to the appropriate Congressional committees.

3. The audit included a site examination of the financial records of PDTENURE. The audit of PDERRACE was limited to a review of financial statements submitted to Headquarters. Related covert records, controls, and procedures were reviewed at Headquarters to determine compliance with applicable regulations.

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4. During the audit period the Agency advanced [] to the cover organizations which recorded net expenses of [] The investment balance at 30 September 1978 was [] Further financial information may be found in the attached Exhibit.

AUDIT COMMENTS

5. PD TENURE does not have an effective follow-up procedure for obtaining accountings and refunds for employee travel advances. One individual owes [] for advances in excess of travel expenses for the period March 1977 - March 1978. Another employee with outstanding advances of [] drew six advances in 1977 and three in 1978 but has submitted no accountings. A third person [] drew seven advances in 1978 without submitting an accounting.

Recommendation: Require employees to submit accountings for advances and any refunds due on a timely basis.

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Exhibit

PDDYNAMIC
Statement of Changes in Agency Investment
1 July 1977 - 30 September 1978

	<u>TOTAL</u>	<u>PDTENURE</u>	<u>PD TERRACE</u>
Balance, 1 July 1977	()	()	()
Advances	()	()	()
Total	()	()	()
Net Expenses	()	()	()
Balance, 30 June 1978	<u>()</u>	<u>()</u>	<u>()</u>

a/ Consists of () administrative expenses and () of covert expenses.

b/ Consists of working capital of () and the depreciated value of furniture and fixtures of ()

c/ Represents cash balance at branch office of \$() and cash in book and digest account of \$()

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